

REMARKS

The examiner rejected claims 1, 4, 5, 7-12, and 14-33 under 35 U.S.C. § 103(a) as unpatentable over 63 F.R. 12124 ("NASD")¹.

Claim 1 recites "[a] collector facility for an electronic market compris[ing]...a computer system, comprising ... a computer readable medium configured to store a computer program product comprising instructions to...manage order routing/execution to provide for orders received by the interface a single point delivery of either executions or routing of orders.....receive a request to cancel for an execution of the one of the received orders from the market participant, determine whether or not the one of the received orders has not yet been executed by the collector facility...cancel the order if the one of the received order has not been executed by the collector facility...and send a message to deny the request to cancel if the one of the received orders has been executed by the collector facility."

Regarding claim 1, the examiner contends:

[T]he NASD reference discloses a system for receiving a request to cancel execution of an order from a market participant (p. 11 par. 1, recipient permitted to decline an order, i.e., cancel an order)...²

That is, the examiner continues to equate a recipient declining an order with an order/execution manager receiving a request to cancel from a market participant. This contention is simply not valid. The examiner also asserts that **"the claims do not recite an order manager receiving a request to cancel,"³** Claim 1 recites instructions to manage order routing/execution comprising instructions to receive a request to cancel for an execution of a received order from a market participant.

¹ NASD Rulemaking: Relating to an Integrated Order Delivery and Execution System, *Self-Regulatory Organizations; Notice of Filing of Amendment No. 1 to a Proposed Rule Change by National Association of Securities Dealers, Inc. Relating to an Integrated Order Delivery and Execution System*, SECURITIES AND EXCHANGE COMMISSION, Release No. 34-39718, File No. SR-NASD-98-17, March 4, 1998

² Office Action, Mail Date June 18, 2009, Page 3

³ Office Action, Mail Date October 28, 2008, page 4

With respect to the recipient declining an order, the examiner bases his contention on the following passage from NASD:

During the delivery period, the recipient is permitted to accept, partially execute, or decline the order. Any partial execution or decline must be done in compliance with the Firm Quote Rule; all such actions will be forwarded to NASDR for its review.⁴

Nowhere does NASD describe or renders obvious to one of ordinary skill in the art a request for cancel of an execution of an order received by an order routing/execution manager. Rather, the declining of an order in NASD pertains to delivery of an order for execution. On the other hand, the request for cancel is a message used in managing order routing/execution to prevent execution of the order by the facility. This combination provides a novel solution to the dual liability problem. Unlike the declining of an order in NASD, the request for cancel prevents execution of the order in the collector facility, (and thus subsequently permitting, for example, an ECN to execute the order in its own system). These features facilitates display of orders by disparate system and non member systems, e.g., ECN's in the order book of the electronic market that provides both a single, common point of entry of orders and delivery of executions/routing of orders while preventing dual liability for such participants as ECN.

The examiner further contends:

[I]t is well-known to place orders that are "good until cancelled", which suggests that the system provides some means for participants to cancel orders.⁵

While it is true that placing orders that are "good until canceled" is well-known, such a property of these types of orders does not render obvious to one of ordinary skill in the art instructions to receive, for one of the orders received by the interface with a market participant having an order book stored in the collector facility also having the received order in the order book, a request to cancel for an execution of the one of the received orders from the market participant, as recited in claim 1.

⁴ NASD, Page 12129, Column 3 – Page 12130, Column 1.

⁵ Office Action, Mail Date June 18, 2009, Page 3

The system accepting a good until canceled order neither described nor renders obvious receive, for one of the orders ... a request to cancel ... the market participant system having an order book stored in the collector facility ... determine whether or not the one of the received orders has not yet been executed ... cancel the order if ... the received order has not been executed by the collector facility; and send a message to a system to deny the request to cancel if ... the received orders has been executed, thus making provisions for a system such as an ECN to avoid dual liability by issuing a request to cancel before the order is executed.

The examiner further contends:

[T]here could be a variety of reasons for canceling an order, e.g., insufficient funds available at execution time, specified time limit passed, participant criteria not met, etc. The particular reason for canceling an order would be a matter of design choice, since this does not affect the nature or functioning of the invention and does not serve any particular purpose or solve any stated problem.⁶

Applicants disagree. The reason for allowing for a request to cancel is fundamental to the system and is not a “matter of design choice,” as the examiner contends. The fundamental principle in this context is that the market participant having an order book stored in the collector facility also has the received order in an order book on its system. As a consequence, the feature of the request to cancel, prevents dual liability on the part of the market participant. That is, if the system, e.g., an ECN system matches orders between two subscribers and contemporaneously receives an execution from, e.g., SOESSM against its quote, the ECN will be required to honor both the internal execution and the SOESSM execution. The other reasons given by the examiner for an order to be cancelled do not render obvious the request to cancel as required in claim 1.

The examiner further contends:

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the system of the NASD reference, as suggested by design choice, so that market participants which also receive orders in an order book can send requests to cancel order execution to

⁶ Office Action, Mail Date June 18, 2009, Page 3

enable market participants to modify placed orders in response to changing market conditions.⁷

Applicants disagree. One of ordinary skill in the art would not have found it obvious to modify the system described in NASD because, as the examiner states⁸, NASD proposes no solution to the problem of a market participant having an order book stored in the collector facility that also has a received order in the order book. Rather, NASD states:

[W]hen a market maker's quote is subject to multiple access virtually simultaneously, through a combination of SOES and SelectNet, from the same or different market participants[, and] [b]ecause the Firm Quote Rule obligates a member to execute orders presented to it at its displayed quote, a firm may be subject to unintended double liability while trying to effectively manage executions from SOES and liability orders from SelectNet at the same time. This is compounded further when market makers also are handling orders received by phone as well as orders within their own internal execution systems... Given these practical and regulatory problems, the NASD and Nasdaq believe that it would be prudent to *combine the two systems* as soon as practicable. Integration would facilitate the orderly processing of electronic orders through one communications facility while easing associated regulatory and compliance burdens.⁹

That is, although NASD recognizes the problem of dual liability, the solution proposed is to integrate disparate execution systems. However, claim 1 already integrates such systems and there still exists this problem of dual liability that is resolved by the request to cancel, a feature missing in NASD. The examiner in this instance employs hindsight reasoning in his contention of "obvious to modify."

Further, because NASD does not suggest a request to cancel execution of an order as a solution to the dual liability problem, one of ordinary skill in the art would not find it obvious to further modify NASD to include instructions to determine whether or not the one of the received orders has not yet been executed by the collector facility, cancel the order if the one of the received order has not been executed by the collector facility, and send a message to deny the request to cancel if the one of the received orders has been executed by the collector facility, as recited in claim 1.

⁷ Office Action, Mail Date June 18, 2009, Page 3

⁸ *Id.*

⁹ NASD, Page 12125, Column 3, - Page 12126, Column 2

Claims 14, 20, and 21 recite similar features as claim 1. Accordingly, the rejection should be withdrawn.

It is believed that all the rejections and/or objections raised by the examiner have been addressed.

In view of the foregoing remarks, applicant respectfully submits that the application is in condition for allowance and such action is respectfully requested at the examiner's earliest convenience.

All of the dependent claims are patentable for at least the reasons for which the claims on which they depend are patentable.

Canceled claims, if any, have been canceled without prejudice or disclaimer.

Any circumstance in which the applicant has (a) addressed certain comments of the examiner does not mean that the applicant concedes other comments of the examiner, (b) made arguments for the patentability of some claims does not mean that there are not other good reasons for patentability of those claims and other claims, or (c) amended or canceled a claim does not mean that the applicant concedes any of the examiner's positions with respect to that claim or other claims.

The fees in the amount of \$130.00 for the extension fees are being paid concurrently on the Electronic Filing System (EFS) by way of Deposit Account authorization. Please apply any charges or credits to deposit account 06-1050, referencing 09857-0029001.

Respectfully submitted,

Date: September 24, 2009

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